

White House Conference on Aging

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By: Bradley E. Dugdale, Jr.

I want to thank Senator Craig, his staff and this Committee for the opportunity to share my views on this important issue.

When Social Security was designed, the average life expectancy was age 65. People would “work and die”. Medical technology has increased life expectancies today into the mid 80’s and early 90’s. It is further projected that in the next 30 years life expectancies could surpass 115 years. When you “work and die” how much money do you need to save. Zero!

If we want Social Security and Medicare to thrive and survive, we must align it with what Albert Einstein called the “Eighth Wonder of the World”... compound interest.

Our great country is the bedrock of innovation and capitalism even though we do not use it in the largest retirement and medical system in the world.

How simple is compound interest?

- a. When a child is born, it takes \$9.60 per month over a period of 65 years invested at 10% interest to grow into \$1,000,000.
- b. A one-time deposit of \$1,000 multiplies 1,024 times to \$1,024,000 by age 60 at a 12% rate.

Let me share some local examples:

Example 1: A Post Falls, Idaho, resident started investing \$25 a month from his paycheck into ExxonMobile (XOM) stock for over 40 years and now has over \$1,000,000 in financial assets living a comfortable retirement;

Example 2: A 401(k) participant from the Spokane Valley started saving \$10 a month in 1996 and now has over \$6,000 in an account. He came to me the other day and increased his monthly contribution and stated that he felt he could be a financial success. He said that if he had not started his payroll deduction he would have never had this money in his account. Psychologically he is a different person now that he and his family own a part of America.

The instant we align our retirement and health care systems with capitalism, we will empower the average citizen and this country will reap the benefit of more citizens experiencing financial security.

The question you might ask is: "How do we do it?"

My answer is: Payroll Deduction!

Most Americans do not have the self-discipline to save on a monthly basis. But if the money comes out of their paychecks before they see it, they have a fighting chance. 401(k)s and Simple IRAs have become the best way to save for most Americans because the investment comes out of their paychecks pre-tax and they are penalized for early withdrawals until age 59-1/2. When the payroll deduction is started, the participant adjusts their lifestyle to the lower income and, over time, does not think about the money coming out of their paycheck. The problem is, most Americans are not covered under these payroll savings programs.

Social Security could become the largest 401(k) plan in the world, while retaining current benefits for senior citizens. Other countries have already started. Chile privatized in 1981. It is estimated the average Chilean citizen, in the next few years, will have more net worth than the average American because of their government-sponsored retirement system, while earning only one-third of the wage of the average U.S. citizen.

Payroll deduction works!

If we want health savings accounts and retirement accounts use to sky rocket, America needs to provide access for every citizen... not just a few who work for forward-thinking companies.

Compound interest is a simple formula: Principle x Rate x Time.

When our government aligns our retirement system and health care systems with compound interest and allows every citizen to participate through their paycheck, we won't need to have these financial discussions in the future of this great nation.

Thank you, once again, for the opportunity to participate.

Bradley E. Dugdale, Jr., is a Senior Vice President & Financial Consultant at D.A. Davidson & Co., and co-author of the book, ***Let's Save America, 9 Lessons to Financial Success*** Bdugdale@dadco.com. Brad is also Co-Founder of the National Dream Round-Up, www.dreamroundup.com.